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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/673,798	09/29/2003	Joseph M. McNasby	005027.106978	2979
29540	7590	12/14/2009		
DAY PITNEY LLP 7 TIMES SQUARE NEW YORK, NY 10036-7311			EXAMINER PORTER, RACHEL L	
			ART UNIT	PAPER NUMBER
			3626	
			NOTIFICATION DATE	DELIVERY MODE
			12/14/2009	ELECTRONIC

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

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Office Action Summary

Application No.

10/673,798

Applicant(s)

MCNASBY, JOSEPH M.

Examiner

RACHEL L. PORTER

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Period for Reply -- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 8/17/09.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-26 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-26 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO/55/08)
Paper No(s)/Mail Date _____
- 4) ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date _____
- 5) ☐ Notice of Informal Patent Application
- 6) ☐ Other: _____

DETAILED ACTION

Notice to Applicant

1. This communication is in response to the Appeal Brief filed 8/17/09. Claims 1-26 are pending.
2. In view of the Appeal Brief filed on 8/17/09, PROSECUTION IS HEREBY REOPENED. New Grounds of Rejection are set forth below.

To avoid abandonment of the application, appellant must exercise one of the following two options:

- (1) file a reply under 37 CFR 1.111 (if this Office action is non-final) or a reply under 37 CFR 1.113 (if this Office action is final); or,
- (2) initiate a new appeal by filing a notice of appeal under 37 CFR 41.31 followed by an appeal brief under 37 CFR 41.37. The previously paid notice of appeal fee and appeal brief fee can be applied to the new appeal. If, however, the appeal fees set forth in 37 CFR 41.20 have been increased since they were previously paid, then appellant must pay the difference between the increased fees and the amount previously paid.

A Supervisory Patent Examiner (SPE) has approved of reopening prosecution by signing below:

/C. Luke Gilligan/

Supervisory Patent Examiner, Art Unit 3626

Claim Rejections - 35 USC § 101

3. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-26 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

Claims 1-11; 23-26

Based on Supreme Court precedent and recent Federal Circuit decisions, the Office's guidance to examiners is that a §101 process must (1) be tied to a particular machine or apparatus or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780,787-88 (1876). If neither of these requirements is met by the claim, the method is not a patent eligible process under §101 and should be rejected as being directed to nonstatutory subject matter.

There are two corollaries to the machine-or-transformation test. First, a mere field-of-use limitation is generally insufficient to render an otherwise ineligible method claim patent- eligible. This means the machine or transformation must impose meaningful limits on the method claim's scope to pass the test. Second, insignificant extra-solution activity will not transform an unpatentable principle into a patentable process. This means reciting a specific machine or a particular transformation of a specific article in an insignificant step, such a data gathering or

outputting, is not sufficient to pass the test.

With respect to exemplary claim 1, the present claim recites "establishing a contractual agreement..." between two parties and "providing a policy of indemnity sufficient to compensate for said possible losses." The method steps do not recite to a particular machine or apparatus, and are therefore considered nonstatutory subject matter.

Claims 2-11 and 23-26 contain similar deficiencies and fail to correct the deficiencies of claim 1, and are therefore also rejected.

Further, with regards to claims 1-11, the courts have also held that a claim may not preempt ideas, laws of nature or natural phenomena. Accordingly, one may not patent every "substantial practical application" of an idea, law of nature or natural phenomena because such a patent would "in practical effect be a patent on the [idea, law of nature or natural phenomena] itself." *Gottschalk v. Benson*, 409 U.S. 63, 71-72, 175 USPQ 673, 676 (1972).

In the current case, claim 1 recites a method of establishing a contractual agreement between a property manager and an insurer and providing a policy of indemnity sufficient to compensate for possible losses. Insurance policies are considered abstract ideas. They define the financial, legal, or administrative rights and obligations of the parties involved. Claim 1 does not recite a specific practical application for claims. Rather, claim 1 covers any application in which establishing a contractual agreement and providing a policy of indemnity sufficient to compensate for possible losses would be used. Therefore, claim 1 preempts every substantial

practical application of the abstract idea because it is not directed to specific use or application. Thus, the claim is directed to the abstraction itself, where such a judicial exception is not patentable.

Claims 12-22

Again, based on Supreme Court precedent and recent Federal Circuit decisions, the Office's guidance to examiners is that a §101 process must (1) be tied to a particular machine or apparatus or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780, 787-88 (1876). If neither of these requirements is met by the claim, the method is not a patent eligible process under §101 and should be rejected as being directed to nonstatutory subject matter.

A mere field-of-use limitation is generally insufficient to render an otherwise ineligible method claim patent- eligible. This means the machine or transformation must impose meaningful limits on the method claim's scope to pass the test. Also, insignificant extra-solution activity will not transform an unpatentable principle into a patentable process. This means reciting a specific machine or a particular transformation of a specific article in an insignificant step, such a data gathering or outputting, is not sufficient to pass the test.

With respect to exemplary claim 12, the present claim recites "executing an agreement for a leased residential unit by a lessor and lessee...", "collecting said leased payments....", and "removing a gross premium charge..." As such, the

method steps are not tied to a particular machine or apparatus, and are therefore considered nonstatutory subject matter.

Claims 13-22 contain similar deficiencies and fail to correct the deficiencies of claim 12, and are therefore also rejected.

Claim Rejections - 35 USC § 112

4. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

5. Claims 1-11, 14, 19-22, and 23-26 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.
6. The terms "exceed a certain percentage" and "sufficient to compensate for" in claim 1. These terms are relative terms which render the claim indefinite. The term "exceed a certain percentage" and "sufficient" are not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention. The specification does not describe a predictable and reliable manner for these calculations or estimates to be determined. Therefore, the scope of these terms cannot be ascertained and a potential infringer would not know of the metes and bounds of applicant's invention.

Claims 2-11 and 23-26 inherit the deficiencies of claim 1 through dependency, and are therefore also rejected.

7. Claim 1 recites the limitation "said insurer" in line 4. There is insufficient antecedent basis for this limitation in the claim. Claim 1 never previously refers to an insurer.
8. Claim 3 recites the limitation "said application" in line 1. There is insufficient antecedent basis for this limitation in the claim. Claim 3 depends from claim 1, which does not recite an application.
9. Claim 4 recites the limitation "said step of submitting" in line 1. There is insufficient antecedent basis for this limitation in the claim. The method does not recite submitting step. Furthermore, it should be noted that applicant intends for claim 4 to be directly dependent from claim 2, it is unclear how the recited claim further limits claim 2.
10. Claim 6 recites the limitation "said proposed risk" in lines 1-2. There is insufficient antecedent basis for this limitation in the claim. Claim 1 does not recite a proposed risk.
11. Claims 7 and 10 recite the limitation "said proposed risk". There is insufficient antecedent basis for this limitation in the claim. Claim 1 does not recite a proposed risk.
12. Claims 8 and 9 recite the limitation "said insurance underwriter". There is insufficient antecedent basis for this limitation in the claim. Claim 1 does not recite an underwriter.
13. Claim 14 recites the limitation "said insurance underwriter." There is insufficient antecedent basis for this limitation in the claim. Claim 12 does not recite an insurance underwriter.

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14. Claim 19 recites the limitation "said insurance underwriter" in line 5. There is insufficient antecedent basis for this limitation in the claim. Claim 12 does not recite an insurance underwriter.

Claims 20-23 inherit the deficiencies of claim 19 through dependency and are therefore also rejected.

15. Claim 20 recites the limitation "said insurer" in line 1. There is insufficient antecedent basis for this limitation in the claim. Claims 12 and 19 do not recite an insurer.

16. Claim 20 recites the limitation "said net premium frequency" in line 1. There is insufficient antecedent basis for this limitation in the claim.

17. Claim 24 recites the limitation "said insurance underwriter" in line 2. There is insufficient antecedent basis for this limitation in the claim. Claims 1 and 23 do not recite an insurance underwriter. Claim 26 inherits the deficiencies of claim 24 through dependency, and is therefore also rejected.

Claim Rejections - 35 USC § 102

18. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States

only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

19. Claims 1-8, 10-11 are rejected under 35 U.S.C. 102(e) as being anticipated by Taylor (2002/0010601).

[claim 1] Taylor discloses a method of providing insurance coverage as a security deposit guarantee, comprising the steps of:

- establishing a contractual agreement between a property manager on behalf of a lessee to insure a leased residential unit apartment and said insurer ready to insure against losses caused by a lessee which exceed a certain percentage of a gross premium charge; (par. 42)
- and providing a policy of indemnity insurance sufficient to compensate for said possible losses. (par. 24)

[claim 2] Taylor discloses the method of claim 1, wherein said property manager submits an application form to an insurer regarding said leased residential unit . (Figure 3; par. 14-15, par. 22)

[claim 3] Taylor discloses the method of Claim 1, wherein said application form is created by said insurer. (par. 24; Figures 13-14)

[claim 4] Taylor discloses the method of claim 1, wherein said submitting step is carried out by said property manager. (par. 14—property manager does inputting)

[claim 5] Taylor discloses the method of claim 1, wherein said insurer evaluates whether to agree to the transfer of a proposed risk using an insurance underwriter. (par. 28, actuarial qualification based upon provided data)

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[claim 6] Taylor discloses the method of claim 1, wherein said insurer communicates information regarding said proposed risk to said insurance underwriter. (par. 21, 24, 28-29)

[claim 7] Taylor discloses the method of claim 1, wherein said property manager receives a binding commitment from said insurer regarding the acceptance of said proposed risk. (par. 50)

[claim 8] Taylor discloses the method of claim 1, wherein said insurance underwriter determines a quote of a particular monetary amount forming the basis of said gross premium charge to be collected and managed by said property manager. (par.17-18—landlord collects money for the insurance; see also par. 24-25)

[claim 10] Taylor discloses the method of claim 1, wherein said proposed risk relates to said leased residential unit apartment. (abstract, par. 7-8)

[claim 11] Taylor discloses the method of the method of claim 1, wherein said insurer assures payment to said property manager, if said losses occur. (par. 007)

20. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

21. Claims 12-16 and 18 are rejected under 35 U.S.C. 102(b) as being anticipated by Weatherly et al (US 6,023,687).

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[claim 12] Weatherly discloses a method of providing insurance coverage as a security deposit guarantee, comprising the steps of:

- executing an agreement for a leased residential unit by a lessor and lessee directing payment of lease payments to a property manager; (col. 1, lines 57-63; col. 2, lines 12-19---lease control intermediary functions a property manager, charges a management fee: col. 7, lines 8-10)
- collecting said lease payments from said lessee according to said agreement; and (col. 3, lines 1-17; col. 7, lines 13-21—monitoring payments according to the agreements)
- removing a gross premium charge from said lease payments. (col. 7, lines 13-24; 53-65 —guaranty amount is maintained-- the tenant payment includes shortfall plus rent to provide insurance of revenue stream to landlord)

[claim 13] Weatherly discloses the method of claim 12, wherein said agreement incorporates terms required by an insurance underwriter (Figure 1; col. 6, lines 13-29—financial institution assesses credit/ financial risk and possibility of fraud to determine whether to underwrite the risk)

[claim 14] Weatherly discloses the method of claim 12, wherein said insurance underwriter reviews and approves said agreement. (col. 6, lines 41-52 —financial institution determines whether to approve agreement and offers the appropriate product)

[claim 15] Weatherly discloses the method of claim 12, wherein said collecting and removing steps are performed by said property manager: (col. 3, lines 1-17; col. 7, lines

13-24; 53-65— the lease control intermediary functions a property manager, charges a management fee and monitors payments according to the agreements)

[claim 16] Weatherly discloses the method of claim 12, wherein said property manager preferably deposits said lease payments received into an account held by said lessor.

(col. 7, lines 5-30: lease control/property manager deposits money and sends money to according to the requests of the lessor/landlord)

[claim 18] Weatherly discloses the method of claim 12, wherein the directing step is performed on a monthly basis. (col. 7, lines 6-10; 31-33—monthly reconciliation)

Claim Rejections - 35 USC § 103

22. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

23. Claims 9 rejected under 35 U.S.C. 103(a) as being unpatentable over Taylor in view of Walker et al (US 6,208,978).

[claim 9] Taylor discloses the method of claim 1, as explained in the rejection of claim 1, but does not expressly disclose that property manager supplies a letter of credit (LOC) to said insurance underwriter in an amount specified by said insurance underwriter. Walker'978 discloses that letters of credit are well-known in the consumer market place (col. 3, lines 9-27) At the time of the applicant's invention, it would have

been obvious to one of ordinary skill in the art to modify the method of Taylor with the teaching of Walker. One would have been motivated to include this feature to ensure that there is no lapse in insurance payment, and to minimize the risk undertaken by the insurer.

24. Claims 17, 19-22 are rejected under 35 U.S.C. 103(a) as being unpatentable over Weatherly et al (US 6,023,687) in view of Walker et al US 6937990 B1 (referred to hereinafter as Walker'990)

[claim 17] Weatherly discloses the method of claim 12, as explained in the rejection of claim 12, but does not expressly disclose the length or term of the agreement. (i.e. wherein the duration of said agreement is one year). Walker'990 discloses a method wherein the contract term is one year (col. 14, lines 40-44). At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method of Weatherly with the teaching of Walker'990 to offer one-year agreements. One would have been motivated to include this feature to encourage participants to sign up for the protection with annual apartment leases.

[claims 19, 21] Weatherly discloses the method of claim 12 as explained in the rejection of claim 12. Weatherly further discloses a method the premium charged to the lessee is distributed among several parties. The property manager collects the money and distributes funds (i.e. guaranteed flat fee of the total revenue collected is retained by said property manager; a portion is placed into a fund administered by said property manager) (col. 3, lines 1-17; col. 7, lines 13-24; 53-65— the lease control intermediary functions as a property manager, charges a management fee; and

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monitors payments according to the agreements;) Weatherly does not expressly disclose that a portion of the premium is distributed/paid to said insurance underwriter.

Walker'990 discloses an insurance underwriter offsets the costs of underwriting by sharing in the payments (premiums). (col. 1, lines 14-19) Walker further discloses a method wherein the underwriter uses money fronting costs, reinsurance, third-party administrative costs, and broker fees. (col. 14, lines 34-44—syndication and spreading of risk among multiple parties). At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method of Weatherly with the teaching of Walker '990 to pay the insurance underwriter from payments collected. As suggested by Walker, one would have been motivated to include this feature to ensure that the underwriter is justly compensated for the assumption of risk. (col. 1, lines 14-19)

[claims 20] Weatherly and Walker disclose the method of claim 19 as explained in the rejection of claim 19. Furthermore, Weatherly discloses a method wherein said insurer assures payment for losses which exceed a certain percentage of said gross premium charge when said property manager has exhausted both said fund and said guaranteed flat fee. (col. 9, lines 20-64; system and method has a delinquency process to generate late fees in excess of the original premium/guaranty portion. Also debts a sent to a collections process to generate some revenue).

[claim 22] Weatherly discloses a method wherein net premium frequency is monthly. (col. 7, lines 6-21, 31-33—reconciliations and distributions are made monthly)

25. Claims 23-26 are rejected under 35 U.S.C. 103(a) as being unpatentable over Taylor in view of Joao (US 6347302)

[claim 23] Taylor discloses the method of claim 1 as explained in the rejection of claim 1. Taylor does not disclose claims processing in the event of damage. Joao discloses making a claim against the insurance coverage in the event that damage occurs (i.e. inspecting, measuring, and testing said leased residential unit by said in the event of a claim for damage (col. 12, lines 55-col. 13, line 6) ; determining whether said leased residential unit meets management criteria established by said policy of indemnity insurance (col. 12, lines 55-col. 13, line 6). ; and computing and providing payment out of a fund for said claim by said property manager, in accordance with the terms of said policy of indemnity insurance. (col. 13, lines 1-37))

At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method of Taylor with the system and method the Joao. As suggested by Joao, one would have been motivated to include these features to ensure that the lessee or renter is not held financially liable for damage in excess of the security deposit, thereby minimizing financial hardship (col. 1, lines 41-55)

[claim 24] Taylor discloses the method of claim 23, wherein said property manager generates periodic management reports for the benefit of said insurance underwriter. (par. 14)

[claim 25] Taylor discloses a method wherein said claim for damage arises from one or more selected group consisting of a default on periodic lease payments, damage to said leased residential unit and destruction of said leased residential unit. (par. 45)

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[claim 26] Taylor discloses the method of claim 24, wherein said periodic management reports document gross and net premium charges and said payment from said fund. (par. 10-14)

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to RACHEL L. PORTER whose telephone number is (571)272-6775. The examiner can normally be reached on M-F, 9:30-6:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, (Christopher) Luke Gilligan can be reached on (571) 272-6770. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/R. L. P./
Examiner, Art Unit 3626

/C Luke Gilligan/
Supervisory Patent Examiner, Art Unit 3626